



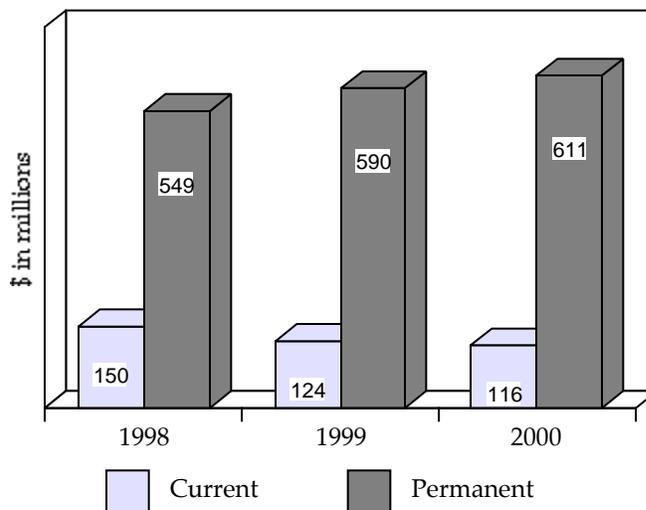
MINERALS MANAGEMENT SERVICE

Mission - The Minerals Management Service was formed by Secretarial Order in 1982 to facilitate the Nation's mineral revenue collection efforts and the management of its Outer Continental Shelf (OCS) offshore lands. MMS has two major responsibilities: management of energy and mineral resources on the Nation's OCS in an environmentally sound and safe manner; and timely and accurate collection, distribution, accounting for, and auditing of revenues owed by holders of mineral leases on Federal onshore and offshore and Indian lands.

Program Overview - The MMS's programs are vitally important, contributing significantly to the Nation's economic well-being and energy security. Energy production from the OCS continues to increase, thereby helping to constrain our dependence on imported energy. The increased natural gas produced from the OCS will continue to play a key role in our Nation's efforts to reduce air pollution, and will likely contribute to any global warming mitigation strategies. The return on investment of MMS programs is enormous, with over \$4 billion collected annually in revenues from minerals produced from offshore and onshore Federal and Indian lands. This income directly reduces the Federal debt and offsets expenses of other Federal agencies. In addition to Federal and tribal interests, MMS also supports States and local governments through revenue sharing and by providing OCS sand and gravel for beach nourishment projects. The explosive growth in OCS rental revenues has permitted MMS to use receipts to cover over 50 percent of its total budgetary requirements, thus freeing up millions of dollars in limited discretionary budget authority to address other high priority programs and needs.

Budget Overview - The 2000 MMS budget request is \$240.2 million, a net increase of \$16.2 million above the 1999 enacted level of \$224.0 million. The proposed increases are more than covered by raising the cap on offsetting receipts from \$100.0 million to \$124.0 million. In turn, the request for direct appropriations is only \$116.2 million, a decrease of \$7.8 million below the 1999 level of \$124.0 million. In addition to the current budget, three permanent appropriations totaling \$610.6 million provide States their statutory shares of mineral leasing

□ MMS Funding



revenues generated on Federal lands. The proposed 2000 increase of \$16.2 million over the 1999 enacted level will enable MMS to fully fund \$5.4 million in uncontrollable cost increases and continue current programs. The remaining \$10.8 million net increase will enable MMS to meet increased OCS demands in the Gulf of Mexico and continue its reengineering efforts for the Royalty Management Program.

OCS Program - The OCS is continuing to experience an extraordinary rise in activity. The Gulf of Mexico is experiencing record levels of exploration and development, especially in deepwater areas. The goal of this program is to provide for safe and environmentally sound mineral development of the OCS and to ensure that the public receives its fair market share of the revenues. Realization of this goal will contribute to the Nation's economic well-being and energy security.

An increase of \$3.0 million is requested in the OCS Lands Program, including funding to keep pace with rising demands in the Gulf of Mexico. Over the past two years, plans filed in this region rose 28 percent and the number of drilling ships and deepwater rigs is increasing, thus requiring more inspections and technical reviews.

The worldwide scope of the oil and gas industry and the growing interest in the global environment has increased efforts to develop international offshore standards and regulations. Current efforts by foreign states to attract foreign investment by improving their oil and gas regulatory programs offers MMS the opportunity to become an active participant in the development of international guidelines and to share its expertise in offshore oil and gas regulation. MMS plans to redirect up to \$250,000 in base funding, saved through reductions in data conversion activities, to expand work in international activities under its regulatory program.

Royalty Management Program - The RMP was created in 1982 to ensure all revenues from Federal and Indian mineral leases are effectively, efficiently, and accurately collected, accounted for, and disbursed to recipients. These revenues, which have historically averaged over \$4 billion per year, are distributed and disbursed to 38 States, 41 Indian Tribes, some 20,000 Indian mineral royalty owners, and to U.S. Treasury accounts. A \$10.0 million increase is proposed in 2000 for the RMP reengineering initiative to design, develop, and implement new royalty management business practices and supporting information technology systems for the 21st century. It is ex-

pected that this reengineering will align RMP's multiple functions into two core end-to-end business processes, reduce RMP's auditing and collection cycle from six to three years, and simplify regulatory reporting requirements. The initiative addresses all core RMP business processes, improving financial, accounting, compliance, and supporting computer systems, and reducing the likelihood of system failure and operational instability.

Oil Spill Research Program - This program performs oil pollution research and other duties related to oil spill prevention, as authorized by the Oil Spill Pollution Act of 1990. It is continued at the 1999 enacted funding level of \$6.1 million in order to ensure protection of OCS and coastal resources for future generations.

Government Performance and Results Act - The MMS's Annual Performance Plan for 2000 reflects the Department of the Interior's approach to improve and streamline performance goals and measures and to link the plan with the budget. Through this approach, MMS will be able to not only meet the requirements of GPRA, but also to promote managerial accountability through a direct connection with the Strategic Plan, resources, and outcomes.

SUMMARY OF BUREAU APPROPRIATIONS
(all dollar amounts in thousands)

Comparison of 2000 Request with 1999 Enacted:

	1999 Estimate		2000 Request		Change From 1999	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriations						
Royalty and Offshore Minerals Management	1,708	117,902	1,717	110,082	+9	-7,820
Oil Spill Research.....	23	6,118	23	6,118	0	0
Subtotal, Direct Appropriations	1,731	124,020	1,740	116,200	+9	-7,820
Offsetting Collections.....	0	100,000	0	124,000	0	+24,000
Subtotal, Appropriations.....	0	224,020	0	240,200	0	+16,180
Permanents and Trusts						
Mineral Leasing and Associated Payments.....	0	586,327	0	606,581	0	+20,254
Leases of Lands Acquired for Flood Control, Navigation, and Allied Purposes	0	726	0	756	0	+30
Nat'l. Forests Funds, Payments to State.....	0	3,233	0	3,311	0	+78
Subtotal, Permanents and Trusts	0	590,286	0	610,648	0	+20,362
TOTAL APPROPS/OFFSETTING COLLECT, MINERALS MANAGEMENT SERVICE	1,731	814,306	1,740	850,848	9	+36,542

HIGHLIGHTS OF BUDGET CHANGES
By Appropriation Activity/Subactivity

APPROPRIATION: Royalty and Offshore Minerals Management

	<u>1998 Actual</u>	<u>1999 Enacted</u>	<u>2000 Request</u>	<u>Change from 1999 Enacted</u>
Outer Continental Shelf Lands				
Leasing & Environmental Program				
Appropriation	13,830	12,087	9,406	-2,681
Offsetting Collections.....	21,065	23,265	26,483	+3,218
Total, Leasing & Environ. Prog.	34,895	35,352	35,889	+537
Resource Evaluation Program				
Appropriation	17,336	10,448	8,690	-1,758
Offsetting Collections.....	5,210	12,085	13,633	+1,548
Total, Resource Evaluation Prog.	22,546	22,533	22,323	-210
Regulatory Program				
Appropriation	28,270	17,283	18,131	+848
Offsetting Collections.....	9,657	22,907	24,377	+1,470
Total, Regulatory Program.....	37,927	40,190	42,508	+2,318
Information Management Program				
Appropriation	2,198	2,447	0	-2,447
Offsetting Collections.....	11,743	11,743	14,507	+2,764
Total, Info. Mgmt. Program	13,941	14,190	14,507	+317
Offshore Management Support				
Appropriation	0	0	0	0
Offsetting Collections.....	0	0	0	0
Total, Offshore Mgmt. Support	0	0	0	0
Appropriation	61,634	42,265	36,227	-6,038
Offsetting Collections.....	47,675	70,000	79,000	+9,000
Subtotal, OCS Lands	109,309	112,265	115,227	+2,962
Royalty Management				
Valuation & Operations				
Appropriation	22,925	25,373	26,157	+784
Offsetting Collections.....	9,451	8,250	13,250	+5,000
Total, Valuation & Operations.....	32,376	33,623	39,407	+5,784
Compliance				
Appropriation	26,820	28,218	29,189	+971
Offsetting Collections.....	6,799	8,250	13,250	+5,000
Total, Compliance.....	33,619	36,468	42,439	+5,971
Indian Allottee Refunds				
Appropriation	15	15	15	0
Offsetting Collections.....	0	0	0	0
Total, Indian Allottee Refunds	15	15	15	0
Late Interest Payments				
Appropriation	0	0	0	0
Offsetting Collections.....	0	0	0	0
Total, Late Interest Payments	0	0	0	0

	<u>1998 Actual</u>	<u>1999 Enacted</u>	<u>2000 Request</u>	<u>Change from 1999 Enacted</u>
Program Service Office				
Appropriation	2,314	2,623	2,708	+85
Offsetting Collections.....	250	0	0	0
Total, Program Service Office	2,564	2,623	2,708	+85
Appropriation	52,074	56,229	58,069	+1,840
Offsetting Collections.....	16,500	16,500	26,500	+10,000
Subtotal, Royalty Management	68,574	72,729	84,569	+11,840
General Administration				
Executive Direction				
Appropriation	1,815	1,870	925	-945
Offsetting Collections.....	0	0	1,000	+1,000
Total, Executive Direction	1,815	1,870	1,925	+55
Policy & Management Improvement				
Appropriation	3,628	3,740	2,870	-870
Offsetting Collections.....	0	0	1,000	+1,000
Total, Policy & Mgmt Improve.....	3,628	3,740	3,870	+130
Administrative Operations				
Appropriation	11,618	12,092	11,991	-101
Offsetting Collections.....	500	500	1,555	+1,055
Total, Administrative Operations ...	12,118	12,592	13,546	+954
General Support Services				
Appropriation	6,752	1,706	0	-1,706
Offsetting Collections.....	7,000	13,000	14,945	+1,945
Total, General Support Services	13,752	14,706	14,945	+239
Appropriation	23,813	19,408	15,786	-3,622
Offsetting Collections.....	7,500	13,500	18,500	+5,000
Subtotal, General Administration ...	31,313	32,908	34,286	+1,378
TOTAL APPROPRIATION	209,196	217,902	234,082	+16,180

Highlights of Budget Changes

	<u>Amount</u>
Uncontrollable Cost Net Increases (non-add)	[+5,380]
OCS Lands	
Resource Evaluation Program	-210
Includes programmatic reductions for the discontinuation of the Marine Minerals Research Center (-\$600) and reductions for well log data conversion efforts (-\$250). Reductions are offset by uncontrollable cost increases (+\$640) and an increase in international activities.	
Regulatory Program	+2,318
Includes programmatic increase (+\$1,400) to support the continuing growth in workload in the Gulf of Mexico as companies move their leases into exploration and development modes. It also includes uncontrollable cost increases (+\$1,068).	
Royalty Management	
Valuation and Operations	+5,784
This subactivity includes a programmatic increase (+\$5,000) to continue a multi-year effort initiated in FY 1998 to reengineer the royalty processes. It also includes uncontrollable cost increases (+\$784).	

Compliance	<u>Amount</u> +5,971
This subactivity includes a programmatic increase (+\$5,000) to continue reengineering efforts initiated in FY 1998. It also includes uncontrollable cost increases (+\$971).	
Administrative Operations	+954
This subactivity includes a programmatic increase (+400) to provide administrative support to the Gulf of Mexico Region which has undergone significant expansion in recent years. It also includes uncontrollable cost increases (+\$554).	

APPROPRIATION: Oil Spill Research

	<u>1998 Actual</u>	<u>1999 Enacted</u>	<u>2000 Request</u>	<u>Change from 1999 Enacted</u>
TOTAL APPROPRIATION	6,118	6,118	6,118	0